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Building The Wireless Future™

March 6, 1996

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Mr. William F. Caton, Secretary
Federal Communications Commission
1919 M Street, N.W. - Room 222
Washington, D.C. 20554

Ex Parte Contact: Reciprocal Termination - CC Docket No. 95-185

Dear Mr. Caton:

On Wednesday, March 6, 1996, Mr.Randall S. Coleman, Vice President for Regulatory Policy and Law, Cellular Telecommunications Industry Association ("CTIA"), sent the attached Wall Street Journal editorial to the listed FCC personnel.

Pursuant to Section 1.1206 of the Commission's Rules, an original and one copy of this letter and the editorial is being filed with your office. If there are any questions in this regard, please contact the undersigned.

Sincerely,

Jimmy L. Vaughan
Research Associate

Ms. Rosalind Allen, Associate Bureau Chief, Wireless Telecommunications Bureau
Mr. Larry Atlas, Common Carrier Bureau
Ms. Beverly Baker, Chief, Compliance and Information Bureau
The Honorable Andrew C. Barrett, Commissioner
Mr. Lyndon Boozer, Special Assistant, Office of Legislative and Intergovernmental Affairs
The Honorable Rachelle B. Chong, Commissioner
Mr. Jonathan Cohen, Assistant Chief for Law, Mass Media Bureau
Mr. David Ellen, Attorney, Office of Plans and Policy
Ms. Michele Farquhar, Chief, Wireless Telecommunications Bureau
Mr. Andrew Firth, Common Carrier Bureau
Mr. Bruce Franca, Deputy Chief, Office of Engineering and Technology
Mr. Julius Genachowski, Counsel, Chairman Reed E. Hundt
Ms. Pamela Greer, Common Carrier Bureau
Mr. Ralph Haller, Deputy Chief, Wireless Telecommunications Bureau
Ms. Kathleen Ham, Chief, Auctions Division, Wireless Telecommunications Bureau
The Honorable Reed E. Hundt, Chairman
Ms. Regina Keeney, Chief, Common Carrier Bureau
Ms. Kathleen Levitz, Deputy Chief, Common Carrier Bureau
Mr. Richard Metzger, Esq., Deputy Chief, Common Carrier Bureau
Mr. John Nakahata, Legal Assistant, Chairman Reed E. Hundt
The Honorable Susan Ness, Commissioner
Ms. Sally Novak, Chief-Legal Branch, Wireless Telecommunications Bureau
Mr. Myron Peck, Deputy Chief-Enforcement Division, Wireless Telecommunications Bureau
Dr. Robert Pepper, Chief, Office of Plans and Policy
The Honorable James H. Quello, Commissioner
Ms. Susan Lewis Sallet, Acting Director, Office of Public Affairs
Mr. Andrew Sinwell, Telecommunications Policy Analyst, Office of Plans and Policy
Mr. Richard Smith, Chief, Office of Engineering and Technology
Mr. David Solomon, Deputy General Counsel, Office of the General Counsel
Dr. Thomas Stanley, Chief Engineer, Office of Plans and Policy
Ms. Karen E. Watson, Senior Analyst-Telecommunications and Education, Office of Plans and Policy
Mr. Stanley Wiggins, Staff Attorney, Wireless Telecommunications Bureau
Mr. Christopher Wright, Deputy General Counsel for Litigation, Office of the General Counsel
Mr. David P. Wye, Technical Advisor, Wireless Telecommunications Bureau

THE WALL STREET JOURNAL TUESDAY, MARCH 5, 1996

REVIEW & OUTLOOK

Disconnect the Local Phone Monopoly

By WAYNE SCHELLE

After 60 years, we finally have a new communications law. Congress passed it by a large margin, and the president signed it with great ceremony. But now it's up to the Federal Communications Commission to decide just how pro-competitive the new policies will be.

Consumers will benefit from the new law because it begins breaking the local telephone service monopoly. In return, the Bell companies will be allowed to provide long-distance service for the first time since the breakup of AT&T. A coming FCC decision on "interconnection," the right of new competitors to connect to the local telephone network, is the first test of whether the new policy will succeed.

Interconnection pricing has tied up the FCC, carriers, Congress and the courts for decades battling over issues such as the fees that long-distance companies and cellular carriers must pay local phone companies to "terminate" calls on monopoly networks. With so many lawyers, accountants, bureaucrats and lobbyists resolving these questions, real competition hasn't emerged.

In a tentative decision of remarkable simplicity but enormous importance, the FCC already has marked a change of course. The FCC proposed new rules to allow interconnection for "wireless" carriers, which include not only existing cellular firms but also new personal communications services companies like mine (which is marketed as "Sprint Spectrum" PCS in Washington/Baltimore). Under this tentative decision, companies like mine would be able to compete on an equal footing with giants like the Bell companies. We would be able to offer a real alternative in residential phone service. New services would be provided by a competitive marketplace. Consumer prices would fall.

As many have observed, however, monopolists universally recommend competition for all markets other than their own. The FCC's tentative decision to spur competition will be attacked by lawyers and lobbyists for those who would preserve their local monopolies at the expense of permitting new services and lower prices for subscribers. Before we can take advantage of the FCC's proposed interconnection policy, it must be finalized in rules. Whether a pro-competitive policy can survive the rigors of the regulatory process remains to be seen.

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Despite the lore that has been built up around it, "interconnection" is not an arcane topic just for economists, accountants and lawyers. Essentially, it means access: Can new competitors like my company have access to the millions of subscribers that have had no choice for decades but to subscribe to monopoly telephone service? If we cannot send calls to those numbers on a fair basis, we will never be able to offer residential service.

Under current, non-regulated "private negotiations," Bell companies charge new competitors as much as three cents per minute just to send these calls through their systems, even though the cost of sending these calls is next to nothing. This prevents new competitors from ever offering competitive service—the average residential caller uses 1,200 minutes per month, and the interconnection charge for that month alone would be $36. The monopoly carrier offers its own phone service for half of that amount. Obviously, no new competitor can enter that market.

Under the FCC's common-sense proposal, telephone companies would follow the same pricing for competitors as they do for neighboring telephone companies. Each carrier that initiates a call keeps the customer charges for that call, and similarly agrees to terminate calls originating on others' networks at no charge to those carriers, which likewise keep all the charges. It's called "bill and keep," and it's the same policy that has been behind the explosive growth of the Internet. If adopted, it will play the same role in spurring new competition as it did in expanding Internet access. It doesn't require a huge bureaucracy and endless litigation, as current policies do.

Telephone monopolies will claim this is unfair because some 94% of telephone traffic goes from the wireless callers to hard-wired phones; therefore, they say, wireless companies impose more costs on them than do neighboring phone companies. But these facts are based on a cellular model that is a relic of the past. Our service in Washington/Baltimore gets just as much traffic from Bell Atlantic subscribers as Bell Atlantic gets from ours.

Because the first minute of all our inbound calls is free to our subscribers and because we have integrated voice mail, our subscribers give out their numbers and receive a high volume of calls. In Europe, the same patterns have appeared when new PCS companies emerge and follow similar policies. It's a first taste of real competition in the market for residential and business telephone service. And it is a fair environment for a "bill and keep" policy.

If this competition is allowed to flourish by a new, enlightened interconnection policy, all sides will benefit. New competitors will enter the market and prices to consumers will fall. Good new jobs will be created—in an era when AT&T and the Bell companies are laying off workers by the thousands, companies like mine are growing exponentially. We have gone from 40 workers to 400 in the past year alone, and we are hiring literally every day. Even local phone companies won't be harmed by this new policy. New services and lower prices stimulate demand, which creates a bigger economic pie for everyone.

In the midst of attacks on "big government," it is worth pointing out an instance when government does something right. This is what the new communications law is supposed to be about: more competition and less government. Congratulations to the FCC on a proposal that works against the monopolists and their lobbyists.

Mr. Schelle is the chairman and founder of American Personal Communications, the first wireless PCS provider. He also was a pioneer in the cellular industry, founding Cellular One in Washington.